Speech by

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Chairman of the Management Board of
Aareal Bank AG

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Manuscript – the spoken word prevails.

Dear shareholders of Aareal Bank AG,

dear guests,

I would like to extend a warm welcome – also in the name of my fellow members of the Management Board – to the 84th Annual General Meeting of Aareal Bank AG, which is also the fifth AGM since the bank was listed as an independent company. I am delighted to see that so many of you have accepted our invitation, thereby expressing your significant interest in our company's business.

Aareal Bank Group enjoyed a very successful 2006 financial year. The bank has defined a clear-cut strategy for the future. It has regained profitability, and will pay dividends again, following two years without distribution.

I presented our six-point programme for a fundamental realignment of Aareal Bank at last year's Annual General Meeting.

Today I am pleased to report that we have successfully achieved a new and solid basis for the planned future growth of Aareal Bank Group – in record time. Thanks to a strong team effort from the management and all members of staff, the Group has also built the foundations for planned future growth in all of its businesses. We have been able to conclude this extremely ambitious programme announced last year – 18 months ahead of schedule.

Before looking at last year’s positive business development, together with our good results for the first quarter of 2007, as well as outlining the targets we have set ourselves within the framework of FUTURE 2009 – our newly-defined growth programme – I would like to briefly review the realignment process which we have now successfully completed.

The programme’s key objective was to further enhance the position of Aareal Bank as a leading international property specialist, and to explore new market opportunities. We believe – and I would like to demonstrate to you now – that we have been very successful in achieving this objective.

We had defined six individual items:

1. Sustained growth in new business

2. Reducing the non-performing loan portfolio

3. Leveraging the bank's mid-sized corporate structure

4. Upgrading the organisational structure

5. Emphasising a modern corporate culture

6. Transparency in managing our business

I would now like to take a closer look at the concrete achievements in implementing the six-point programme during the financial year under review.

Starting with the first item 'Sustained growth in new business':

Having raised our original new business target of over € 7 billion to more than € 8 billion during the course of the second half of 2006, we clearly outperformed even this higher target level. With approximately € 9.9 billion by the end of 2006, the aggregate new business volume exceeded the figure achieved in 2005 by around 40%. Whilst our new international business grew by more than a third – from approximately € 6.1 billion to more than € 8.3 billion – total new domestic business rose to € 1.6 billion, up from € 1 billion in 2005. Overall, we generated 84% of our new business on international markets.

We also succeeded in further enhancing the diversification of our property financing portfolio, as planned. The share of German exposures in our total portfolio under management decreased from 47% as at 31 December 2005 to 38% at the 2006 year-end, in line with a corresponding increase in our international portfolio.

A key prerequisite for this outstanding level of business generated was a package of initiatives designed to enhance the bank's distribution channels, which we had embarked upon last year. We rearranged the German sales organisation, so that it now centres on four locations – Berlin, Hamburg, Munich and our head office in Wiesbaden.

In this way, we have optimally positioned ourselves in the German market to benefit from further significant market potential, particularly in urban areas.

As an additional key element of the new strategy for our sales force, we more closely aligned our local market expertise with expert knowledge on hotels, logistics properties, and shopping centres, to create powerful deal teams. We also concentrated our cross-border sales activities in regional hubs, significantly enhancing the efficiency of our distribution network.

This has already been successfully realised with the Nordic hub for Scandinavia, located in Stockholm, and the CEE hub in Warsaw for Central and Eastern Europe. With the establishment of our Nordic hub, we anticipated the trend for investors to view Scandinavia as a cross-border economic region at an early stage. This allowed us to boost the level of new business generated to over € 1.9 billion in 2006. The opening of our Helsinki office a few weeks ago represented another step forward for our business in Scandinavia.

With new business in Central and Eastern Europe up significantly, to € 1.2 billion, we have achieved good market penetration in this region.

Looking at the dynamic growth momentum throughout the CEE countries, we continue to see great potential for further business development, which is why we are currently analysing additional markets into which to expand our market presence. Our hub for the North American market is located in New York City. We succeeded in acquiring a team with exceptional local market expertise. They have been very successful in implementing our new business model, as can be seen in the strong, above-average growth in new business generated from the region. During the first four months of the current year, this amounted to approximately € 800 million.

Singapore is our hub for the Asia/Pacific region. Our team there is characterised by specific local market expertise, as well by the excellent contacts it has forged with institutional investors. In the 2006 financial year, we started to develop our presence as a property finance house in the Asia/Pacific region; since then, we have already concluded our first deals in China, involving two arranger mandates with an aggregate volume of USD 150 million, as well as in Japan, Macao and the Maldives. We are currently in promising negotiations regarding further financings in the region, and expect aggregate new volume to the tune of € 500 million for the current year.

In parallel to the diversification of our property financing portfolio, we have enhanced our funding mix. One example was our debut Jumbo *Pfandbrief* issue in early 2006, which helped to further reduce our funding costs. We will continue to optimise the bank's funding mix, boosting the share of covered bond issues. We further enhanced our funding strategy in 2006 with debut *Pfandbrief* issues in US dollars, Danish krone and Swedish krona. During the current year, the range of issuing currencies was further expanded to include British pound sterling.

Looking at the second item 'Reducing the non-performing loan portfolio':

One of our key objectives for 2006 was to reduce our portfolio of non-performing loans, from an initial level of € 2.85 billion as at 31 December 2004 to around € 1 billion at the 2006 year-end. In fact, the NPL portfolio was reduced to an even lower level of € 643 million. This was achieved through a series of 'true sale' transactions: following the successful disposals carried out in 2005, we followed this up with the sale of a € 345 million retail assets portfolio to Shinsei Bank in March 2006.

At last year's Annual General Meeting, we had asked for your approval of the spin-off and transfer of a large portfolio comprising retail and commercial real estate loans to Aartemis Credit Management GmbH, a wholly-owned subsidiary of Aareal Bank.

The purpose of this measure was to prepare for the disposal of our fourth (and largest) NPL tranche: a € 1.4 billion portfolio, which was also sold to Shinsei Bank. We are particularly proud of the successful closing of this transaction in September 2006, which was conducted through an innovative structure. A further portfolio sale in the first quarter of 2007 further reduced our NPL holdings, down to a level of just € 471 million, or around 2% of the overall portfolio. We consider this level as normal and appropriate, and in line with industry averages. The issue of reducing the NPL portfolio can thus be considered as concluded.

<u>Turning to the third item 'Leveraging our mid-sized corporate structure':</u>

We disposed of subsidiaries and participations that were not in line with our strategy, or restructured them to make them compatible with our forward-looking concept. The objective here has been to make the group a less complex entity, facilitating fast managerial thinking, whilst at the same time raising profitability. Some of the participations that were in line with our strategy were also restructured.

We thus reduced the number of consolidated entities from 183 to 131 during the year under review. I would like to briefly mention the most important transactions.

- We sold Aareal Hypotheken Management GmbH to VR Kreditwerk.

- We merged Aareal Hyp AG, the bank’s mortgage banking subsidiary, into Aareal Bank AG. Not only did this allow to streamline parallel structures that had previously been required by the regulatory legal framework: since Aareal Hyp had held its own license to issue *Pfandbriefe*, this license was ‘inherited’ by the parent within the scope of the merger. Aareal Bank AG has since been able to issue covered bonds directly, with the associated funding benefits.

- We hived off the bank’s property valuation activities into Aareal Valuation GmbH, a new, wholly-owned subsidiary, in order to exploit its potential for offering services to a broader range of customers.

- The Bank’s Asset Management GmbH– together with the fund manager Aareal Immobilien Kapitalanlagegesellschaft GmbH– were sold to Schroders, the global asset manager.

- The urban development business of our subsidiary Deutsche Bau- und Grundstücks AG (BauGrund) was sold to HSH N Real Estate AG.

- Furthermore, the Interhotel Group, in which Aareal Bank holds a 33% stake, sold its properties alongside associated subsidiaries. The transaction will generate significant cash flows, which will be available for further investment in our core business.

We have conducted a fundamental realignment exercise in our Consulting/Services segment, which essentially comprises the bank's activities with the institutional housing sector. Our businesses in this segment include Aareon AG, the leading advisor and IT systems house for managing residential properties. We also offer a highly-automated mass payments system that is integrated into the business processes of our institutional housing clients, making Aareal Bank one of their primary banking relationships.

The strategic importance of this business segment is attributable – amongst other factors – to the opportunity for achieving positive contributions to results with low capital backing requirements.

Furthermore, currently more than € 4.4 billion in stable deposits represents an important component of the refinancing mix that exists independently of the current market situation.

Marked structural changes were made in the units of the Consulting/ Services segment in order to enhance its contribution to results. I would first like to discuss measures taken regarding Aareon AG:

- We have enhanced profitability in this business by exploring new market segments, by improving product usage of the existing customer base, and by introducing efficiency enhancements which enabled a significant reduction in headcount.

- We also brought the product range into line with our strategy; this included the further development of our SAP-compliant ‘Blue Eagle’ software package. Within the scope of a strategic partnership established with Techem, a provider of energy services, Aareon’s Energy Management unit was exchanged against Techem IT Services GmbH, which allowed Aareon to further strengthen its core expertise as a consultancy and IT systems house.

We also successfully concentrated upon our core systems in the payments and deposit-taking businesses of Aareal Bank AG and Aareal First Financial Solutions AG: alongside the continued development of our products, we also embarked on initiatives to better distribute these payments solutions. Our aim is to enhance the future profit contributions made by this business line.

Initial successes of our measures taken in the Consulting/Services segment have already become evident, as the segment already made a clear contribution to results during the period under review. I will discuss this in more detail later.

These extensive measures to optimise our portfolio of shareholdings, together with the fundamental realignment of our operative business, have resulted in a clearly-defined two-segment strategy. This consists of the Structured Property Financing segment, with offices in 17 countries on three continents, and the Consulting/Services segment, targeting the institutional housing sector, as an integral part of the Aareal Bank Group.

Looking at our remaining financial investments, our particular focus is on optimising value. In this context, we had already announced that we would examine strategic options for our shareholding in Immobilien Scout GmbH, the market leader amongst property internet portals in Germany. A few weeks ago we took the opportunity to increase our stake in the Company to more than 50%. By upgrading to this majority shareholding, we have not only greatly expanded our options for action – also, regardless of the ongoing review, we will benefit even more from further increases in the Company's value.

Turning to item number four 'Upgrading the organisational structure'*:*

Leveraging our mid-sized corporate structure also involved a modernisation of the bank's internal organisation. This included weeding out any parallel structures, and optimising business and administrative areas at the Aareal Bank head office.

All told, we achieved a significant streamlining of our organisation, reducing the number of interfaces and thus shortening lines of communication. All these measures were supported by very strict cost management.

We all know that such measures always involve job cuts. Although we have made targeted investments in creating highly-qualified new jobs within the Aareal Bank Group, the overall number of employees declined by 17 per cent in 2006, to just over 2,600. The decline was also the result of the disposal of some subsidiaries, as mentioned before. Dealing with necessary personnel changes in a fair and socially responsible manner is a matter of course for Aareal Bank.

All these steps were taken in close cooperation with employee representatives. I would like to take this opportunity to reiterate my sincere thanks for this constructive cooperation.

<u>Looking at item number five 'Emphasising a modern corporate culture':</u>

With 17 international offices employing quality staff from 31 different nations, Aareal Bank is well-positioned today to further expand its international presence and to firmly establish itself as a global player covering three continents. The people working for us are a key factor, whose expertise, commitment and customer orientation contribute substantially to the Company's success. In this context, I would like to reiterate my sincere thanks to all members of staff for their outstanding work during the turbulent times of restructuring.

To establish a modern corporate culture focused on performance and motivation throughout the Group, we introduced new management guidelines in 2006, revised the personnel management tools, and implemented a new remuneration, bonus and career structure. Besides the classic career path for executives, specialists can now avail themselves of new career opportunities as well.

This offers us greater scope to reward one of the key success factors of the new business model: a highly-specialised and global staff network.

Employees who think and act with the company's interests in mind are an indispensable feature of modern corporate culture. This is reflected in our revised organisational structure – extended powers, tighter management structures and new platforms to facilitate internal dialogue.

Developing a modern corporate culture will remain a priority for us, even after the conclusion of our strategic realignment.

In today’s business environment, swift entrepreneurial action also requires the constant development of corporate intelligence, together with the rapid exchange of external and internal expert skills, and the seamless integration of academic theory and business practice. To promote and secure this development with our staff, and to closely network theory and practice, we have established the Aareal Academy, a virtual corporate university. This is based on five columns: besides internal seminars and professional development options, the offer comprises external seminars as well as cooperations with the Real Estate Management Institute at the European Business School (with Aareal Bank acting as the institute’s lead sponsor), Cambridge University, and the University of Applied Sciences in Nürtingen.

<u>I would now like to turn to the sixth and last item – which is also the one that is most important to me - transparency in managing our business:</u>

To carry out change processes as quickly, smoothly and efficiently as with Aareal Bank's realignment process, requires that the necessity for such change is communicated openly and transparently, together with target milestones. Actions taken as part of such a process must be credible for staff at all levels.

In addition to intensive internal communication, we held individual discussions with investors, analysts, media representatives and politicians on more than 300 occasions last year. We also presented and discussed the steps taken at numerous specialist conferences. This concept of communications was one of the factors assisting the swift and smooth restructuring process. We kept all our promises, and we want to keep doing so in the future.

Credible and transparent communication with all our stakeholder groups will remain a key element of our corporate identity.

Ladies and Gentlemen, dear shareholders,

As you can see, we have achieved quite a lot already. The favourable response by the market has been evident – amongst other factors – in the upgrade of the bank's rating from BBB+ to A- by Fitch Ratings in November last year. The success of our realignment is, of course, also reflected in the results achieved, which I would now briefly like to comment on. Please refer to our Group Annual Report, which has already been published, for more detailed information on the **2006 financial year**.

With operating profit of € 160 million, we fully met our profit target, which we had raised once again in November 2006. Compared to the previous year's results, this meant a remarkable swing of € 250 million. Consolidated net income amounted to € 107 million (after € 18 million in minority interest income), after a loss of € 55 million in the previous year. This reflects an impressive improvement in net return on equity, to 10.1%, and is equivalent to earnings per share of € 2.49. The total capital ratio according to BIS rules stood at 7.3% at year-end 2006, up from 7.2% as at 31 December 2005.

Net interest income of € 389 million was down 7% on the previous year. This is due above all to lower risk-weighted assets, as a result of the accelerated reduction of exposures no longer in line with our strategy.

Net loan loss provisions of € 89 million are in line with the € 80 to 90 million range projected.

Net commission income of € 145 million is lower than last year's figure of € 163 million; however, this figure still included the subsidiaries that have since been sold within the course of the adjustment of our investment portfolio. Net trading income of € 13 million was largely attributable to the valuation of stand-alone derivatives, and expenditure for credit derivatives used for portfolio hedging. The result from non-trading assets of € 66 million is largely down to the realisation of securities from the available-for-sale portfolio, and from the deconsolidation of subsidiaries that have been sold. The valuation of properties held as financial investments posted a loss of € 12 million.

Our success in realigning Aareal Bank, and in raising cost discipline, is clearly visible in the development of administrative expenses, which were down 9.6% to € 356 million – albeit also as a result of disposals of subsidiaries, as mentioned before.

Structured Property Financing generated income before taxes of € 139 million, compared with losses of € 75 million the year before.

The segment's net interest income totalled € 340 million in 2006, down 11.2% from the previous year, reflecting the accelerated reduction of exposures no longer in line with our strategy. In contrast, net commission income rose from € 27 million to € 33 million. We reduced administrative expenses by almost 8% against the 2005 financial year, to € 199 million – another initial success of restructuring, predominantly regarding process optimisation.

Operating profit in the Consulting/Services segment amounted to € 21 million in the year under review. This segment also managed a turnaround compared to 2005, when a € 7 million loss had to be recorded. Net commission income stood at € 167 million, whilst results from non-trading assets amounted to € 14 million, including € 11 million in income recognised as a result of the exchange concluded with Techem, which I mentioned earlier.

We reduced administrative expenses in the Consulting/Services segment by € 22 million during the year under review, to € 164 million; this includes expenditure for realigning Aareon AG.

The positive development of our business **also prevailed during the first quarter of the first financial year**, as detailed in our interim report published on 11 May 2007. At € 51 million, Aareal Bank Group more than doubled net income after minority interests, over the same period of the previous year. This corresponds to a net return on equity of 19.3%, and earnings per share of € 1.18.

Improved operating performance and non-recurring effects (as already announced – predominantly a compensation payout of € 37 million received from DEPFA Deutsche Pfandbriefbank AG) both contributed to this positive quarterly result.

At € 98 million, net interest income for the first quarter was in line with last year's figure. However, it increased by € 6 million or 6.5% over the fourth quarter of 2006. Net loan loss provisions of € 22 million for the first quarter are in line with the € 80 to 90 million range projected for the year 2007 as a whole. Net commission income improved by € 2 million or 5.7% compared with the first quarter of 2006, to € 37 million.

The net result from investments accounted for at equity for the first quarter of 2006 included a € 3 million dividend attributable to our stake in Immobilien Scout GmbH. Given that the 2006 financial statements of Immobilien Scout GmbH were not approved prior to April 2007, our share of the company's results this year will not be recognised in Group income until the second quarter.

Administrative expenses were € 89 million in the first quarter, up € 1 million over the same period of the previous year. This figure includes a one-off special payment of approx. € 3 million made to Aareal Bank staff, to demonstrate the bank's appreciation of their outstanding contributions.

Operating profits of Aareal Bank Group for the first quarter amounted to € 79 million. The increase of € 40 million over the first quarter of 2006 exceeds the special income from the DEPFA compensation payment by € 3 million. Taking into consideration the dividends distributed on Aareal Bank's stake in Immobilien Scout GmbH (which, as indicated, was paid out during the first quarter of the previous year), this would result in an operative improvement of as much as € 6 million or 16.7%.

At € 2.2 billion, the volume of new Structured Property Financing business in the first three months of the year was up slightly on the figure of € 2.0 billion for the same period of the previous year, with international and German business accounting for 90% and 10% respectively.

We also successfully expanded the bank's scope for refinancing on the capital markets, having expanded its investor base both nationally and internationally. The bank raised more than € 2.4 billion in long-term funds during the quarter, including the second Aareal Jumbo Pfandbrief, sized at € 1 billion, and public bearer bonds in the amount of € 300 million. With € 400 million in bearer bonds and € 700 million in registered securities, private placements continued to play a major role.

We were able to reduce our funding costs further, thanks to the upgrade by Fitch Ratings, but also due to the higher proportion of *Pfandbrief* issues.

As a particularly positive development, operating profit of the Consulting/Services segment reflects the first successes of the realignment of the bank’s activities in the institutional housing sector. Whilst operating profit of € 5 million in the first quarter of 2006 still included € 2 million from the deconsolidation of a subsidiary and the € 3 million dividend attributable to our stake in Immobilien Scout GmbH, operating profit was improved to € 7 million in the first quarter of the current financial year, even without these positive special effects.

Our success in restructuring, and the significant progress made in our operative business are also reflected in the **Aareal Bank share price**, which rose to € 35.27 by the end of 2006 – a year-on-year performance of around 10%. During the course of the current year 2007, the share price has risen by a further 10.0%, to yesterday's closing price of € 38.71. Aareal Bank AG's market capitalisation thus increased to € 1.7 billion, from € 1.5 billion at the end of 2006.

At its current level, the Aareal Bank share price has more than doubled compared to its initial listing on 17 June 2002, when it was traded at € 17.95. This corresponds to an annual yield of 17%. Our share price thus outperformed both the DAX (which rose by just under 12% p.a. during the same period) and the Prime Banks Performance index (which was up by around 14% p.a.) We therefore believe that our share is a truly attractive investment.

I would like to take this opportunity to thank you, our shareholders, for supporting us in our progress to date – even when times were difficult - and for maintaining your confidence in us. I am particularly pleased that our successful turnaround has restored our ability to distribute a dividend.

Exercising its power to retain earnings, pursuant to the German Public Limited Companies Act (*Aktiengesetz*), the Management Board has allocated € 58.0 million of net income totalling € 117.4 million (as reported in the single-entity financial statements of Aareal Bank AG, which are relevant for dividend distribution) to retained earnings, in order to strengthen the bank's future business. This leaves a distributable profit (*Bilanzgewinn*) of € 59.4 million. Today, you will pass a resolution on its appropriation. The management proposes to distribute a dividend of 50 euro cents per share, which is equivalent to a total distribution of € 21.4 million. It is also proposed to allocate € 38 million to other retained earnings; this retention will provide another key contribution for Aareal Bank’s future growth.

Ladies and Gentlemen,

In accordance with the legal requirements stipulated by the German Act for the Implementation of the EU Takeover Directive (*Übernahmerichtlinie-Umsetzungsgesetz*), I would like to draw your attention to the report by the Management Board – which is available at this meeting – containing mandatory disclosures pursuant to sections 289 and 315 of the German Commercial Code. The report includes information on details which must now be disclosed, by virtue of law, in the Management Report, or in the Notes to the Consolidated Financial Statements. More specifically, this includes details regarding the composition of the company's capital; holders of shares carrying special rights; restrictions on voting rights or transferability affecting the company's shares; agreements entered into with employees or members of the Management Board in the event of a takeover offer; powers of the Management Board with respect to the issue or repurchase of shares; legal provisions and provisions in the Memorandum and Articles of Association regarding the appointment and removal of members of the Management Board; and direct or indirect shareholdings in the company's capital that exceed 10% of voting rights.

For your information, all these details – together with further disclosures required by law concerning potential obstacles to a takeover – are provided in the Management Reports, which are available on the Company’s website, and also at the information counters at today’s meeting.

I would like to give you some explanations regarding the agenda items for this Annual General Meeting. As the resolution on agenda items 3 to 5 is required each year, no further explanation is necessary.
The resolutions proposed under agenda items 6 and 7 serve the purpose of improving the Company’s financing options, together with the required flexibility for management in raising funds. Since the detailed report prepared by the Management Board regarding the authorisations proposed under agenda item 7 (including the exclusion of shareholders' pre-emptive subscription rights) was published with the agenda, and on the internet – and is available at this meeting – I would like to make reference to this report.

Under agenda item 8, we request the approval of the Annual General Meeting regarding a controlling agreement to be entered into with the bank's subsidiary Aareal First Financial Solutions AG. First Financial provides IT services within the scope of the bank's payment services business. The purpose of this controlling agreement is to more closely integrate the First Financial subsidiary with Aareal Bank, and to complete the control exercised by the parent company. First Financial delegates its corporate management powers to Aareal Bank AG.

The controlling agreement will complement the existing profit transfer agreement; together, their purpose is to achieve and maintain fiscal unity (*steuerliche Organschaft*) of the contracting parties, within the meaning and for the purposes of German value-added, corporation and trade tax laws. The content of the agreement is in line with the wording commonly used for controlling agreements. The term of the controlling agreement is in line with the profit transfer agreement, and may only be terminated in conjunction with the same; the earliest permitted termination date would be 31 December 2007. The detailed report, jointly prepared by the Management Boards of Aareal Bank and First Financial, was published together with the agenda as well as on the internet and is available at this meeting.

This concludes my comments on the agenda items.

Ladies and Gentlemen,

I would now like to turn to our goals and objectives for the future. We have set ourselves ambitious targets, which we have combined into our **FUTURE 2009** growth programme officially launched at this year's press conference to present the financial statements.

FUTURE 2009 defines the growth strategy for the entire Aareal Bank Group over the next three years. The Group's focus during this period will be on organic growth. Nevertheless, we will not exclude acquisitions, provided they are suitable. The entire strategy is geared towards shaping the bank's future as an independent enterprise.

We are managing FUTURE 2009 on the basis of a stakeholder approach. This is designed to take into account and balance the interests and expectations of our key target groups when implementing the strategy: *Clients and Markets*, *Employees*, and of course, you – our *Investors*:

- Aareal Bank will be concentrating on expanding its two core business segments during the coming years. In the Structured Property Financing segment, we will evolve from an internationally active provider into a global player. We will optimise our business in Europe, expand in the North American market, and develop our presence in the Asia/Pacific region, in order to meet the requirements of our client base in these regions. Our Consulting/Services segment will extend its market leadership, acting as a reliable partner supporting our clients in a changing environment.

- We operate in a ‘people’s business'. Our employees are fundamental to our success, as well as that of our clients. It is therefore vitally important that we retain employees that are defined by a managerial spirit and approach.

- The goals we have set ourselves are ambitious. Nonetheless, they abide by the expectations of the capital market, and we communicate our targets and performance in a transparent manner.

What are our concrete plans, within the scope of FUTURE 2009, in our two core segments over the next three years?

In the Structured Property Financing segment we will continue to place emphasis on generating new business and growing the portfolio, together with Credit Treasury and funding activities. With respect to our plans for portfolio growth, measures to **optimise** the portfolio in Europe will be geared towards our existing client base, as well as the further expansion of our hub approach (as mentioned before) deployed in Central and Eastern Europe, and in the Nordic region. We are already reviewing additional target markets for this concept. **Business growth** in the North American markets will be driven by strengthening our presence, and expanding our client base in the US, Canada, and Mexico. We are making good progress in exploring the North American markets: new business generated there is growing exponentially, already accounting for one quarter of aggregate new business volume.

In Asia, we will seek to **expand** by building a sustainable client base in the region from our Singapore hub, opening new offices and exploring new markets. In this context, we are currently in the process of analysing India, Japan, South Korea and Malaysia. As I pointed out already, we are making good headway: we envisage the successful closing of further transactions particularly in China, and are planning to open an office in Shanghai.

Diversifying our income sources will be the hallmark of measures we will take to boost our funding activities in the areas of Treasury and Credit Treasury. This will include the optimisation of the Treasury asset portfolio, an expansion of our product range of structured funding tools, and intensifying our trading business. Gearing our business more strongly to the capital markets, we will optimise our syndication and securitisation activities in Europe, and establish additional teams in New York and Singapore.

In our Consulting/Services segment, we aim to further strengthen our market position, and achieve a significant increase in profitability. To achieve these goals, we intend to expand Aareon's strategic product range and client base, supported by a more pronounced penetration of new market segments and improved internal efficiency. Measures taken in this segment are already beginning to show effect, as can be seen by the favourable market response to the multi-product strategy launched by Aareon in 2006. We were thus able to win key new client accounts for the SAP-based Blue Eagle software during the first quarter of 2007, including Gagfah Group, Germany's largest listed residential property management company, and Treureal Group, a fast-growing company also in the property management sector.

In our integrated payments business, conducted jointly by Aareal Bank and Aareal First Financial Solutions, we plan to boost deposit-taking, win new clients and reduce costs. At the same time, we intend to launch new products to enhance market penetration – such as “BK@1”, the SAP-compatible payments software product.

We have set the following financial objectives to be achieved through our growth programme:

- We plan to achieve a net return on equity after taxes of approx. 13% for Aareal Bank Group by the end of 2009.

- Average risk-weighted assets – as a measure for portfolio growth – are planned to grow to between € 24 and 25 billion by 2009 (from € 19 billion in 2006).

- The cost/income ratio in the Structured Property Financing segment is targeted to decline from 54% in 2006 to between 35% and 40% in 2009.

- We plan to boost the result before taxes in the Consulting/Services segment from the recent € 21 million level, to between € 50 and 60 million by 2009.

In addition to these medium-term targets, we have already provided clear guidance for 2007. We have set the target for net return on equity at a minimum of 13%. This target is based on the assumption of € 10 billion in new business generated by the end of the year. With over € 3.2 billion for the first four months of the current year, business is developing in line with our projections.

We anticipate average risk-weighted assets to rise to between € 20 and 21 billion. The cost/income ratio is targeted to fall to around 42%. The Consulting/Services segment will continuously enhance profitability, to contribute between € 22 and 28 million to the target Group results before taxes.

Impairment losses on loans and advances will be in a € 80 to 90 million target range. We intend to maintain our core capital ratio at above 7% by the end of this year.

Looking at the positive results of the first quarter, we remain confident that we will achieve our targets for the current financial year.

Ladies and Gentlemen,

Looking back on our successful turnaround, and considering the positive business performance of the recent past, Aareal Bank has every reason to be confident. It is with great optimism that we embark on the tasks ahead. Our top priority over the next three years will be to implement FUTURE 2009. My colleagues on the Management Board are as convinced as I am that the combination of continued internationalisation in our Structured Property Financing business and improved profitability in our Consulting/Services segment will provide the basis for sustained and profitable growth over the next three years, and will further enhance the bank's competitive strength.

You have every right to expect us to set ambitious targets, and to achieve them. We will do everything to fulfil this expectation, and we will always keep you informed on our progress, in a timely and transparent manner. It is our objective to make sure that you, dear shareholders, will continue to be satisfied with your investment in Aareal Bank.

Thank you very much for your attention. We will now be pleased to answer your questions.